

Ms. Karen McKenzie  
Quality Care Management, Inc.  
Post Office Box 2669  
Pawleys Island, South Carolina 29585

Re: AC# 3-WIN-J6 – Winyah Convalescent Center

Dear Ms. McKenzie:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**WINYAH CONVALESCENT CENTER  
GEORGETOWN, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-WIN-J6**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 30, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Winyah Convalescent Center, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Winyah Convalescent Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report and Summary of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Winyah Convalescent Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 30, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**WINYAH CONVALESCENT CENTER**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-WIN-J6

	10/01/97- <u>09/30/98</u>
Interim reimbursement rate (1)	\$78.75
Adjusted reimbursement rate	<u>78.00</u>
Decrease in reimbursement rate	\$ <u><u>.75</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**WINYAH CONVALESCENT CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1997 Through September 30, 1998  
AC# 3-WIN-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.55	\$48.08	
Dietary		9.61	9.74	
Laundry/Housekeeping/Maint.		<u>8.37</u>	<u>7.72</u>	
Subtotal	<u>\$4.59</u>	50.53	65.54	\$50.53
Administration & Med. Rec.	<u>\$1.63</u>	<u>7.82</u>	<u>9.45</u>	<u>7.82</u>
Subtotal		58.35	<u>\$74.99</u>	58.35
<u>Costs Not Subject to Standards:</u>				
Utilities		2.52		2.52
Special Services		-		-
Medical Supplies & Oxygen		4.73		4.73
Taxes and Insurance		1.09		1.09
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$66.69</u>		66.69
Inflation Factor (4.40%)				2.93
Cost of Capital				6.13
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.63
Cost Incentive				4.59
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.47)
Minimum Wage Add On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$78.00</u>

**WINYAH CONVALESCENT CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-WIN-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 970,645	\$ -	\$ -	\$ 970,645
Dietary	286,620	-	-	286,620
Laundry	48,061	-	12,137 (2)	35,924
Housekeeping	168,547	-	-	168,547
Maintenance	45,238	-	-	45,238
Administration & Medical Records	242,188	-	9,032 (1)	233,156
Utilities	75,247	-	-	75,247
Special Services	-	-	-	-
Medical Supplies & Oxygen	141,139	-	-	141,139
Taxes & Insurance	32,605	-	-	32,605
Legal Fees	-	-	-	-
Cost of Capital	<u>182,914</u>	<u>-</u>	<u>-</u>	<u>182,914</u>
Subtotal	2,193,204	-	21,169	2,172,035
Ancillary	32,261	-	-	32,261
Non-Allowable	457,136	9,032 (1)	-	478,305
	<u>          </u>	<u>12,137 (2)</u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$2,682,601</u>	<u>\$21,169</u>	<u>\$21,169</u>	<u>\$2,682,601</u>
Total Patient Days	<u>*29,822</u>	<u>-</u>	<u>-</u>	<u>29,822</u>

\*Adjusted to 97% Occupancy



**WINYAH CONVALESCENT CENTER**  
Adjustment Report  
For the Cost Report Period Ended September 30, 1996  
AC# 3-WIN-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration	\$ 9,032	\$ 9,032
	To remove unnecessary working capital interest HIM-15-1, Section 202.2 State Plan, Attachment 4.19D		
2	Nonallowable Laundry	12,137	12,137
	To adjust related party laundry cost to allowable HIM-15-1, Sections 1000 and 1005 State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$21,169</u>	<u>\$21,169</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.